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NSC BRIEFING

20 September 1960

BACKGROUND

SOVIET BLOC OIL EXPORTS

- I. Soviet bloc POL exports to Free World in 1960 may reach new high of 22,000,000 metric tons.
 - A. This is a 22 percent increase over 1959's exports of 18,000,000 tons.
 - B. Increase notable because total Free World consumption of about 1.1 billion tons expected to rise less than 10 percent this year.
 - C. Bloc exports still furnish less than 5 percent Free World needs, however.
- II. Two-thirds of bloc sales made in Western Europe--a traditional major market for Free World producers.
 - A. Remaining one-third goes to underdeveloped countries.
- III. Soviet oil gains are result of lenient payment requirements for purchasers and rising production in bloc.
 - A. Moscow accepts payment in soft currencies (rupees from India), local commodities (Egyptian cotton, Cuban sugar), or industrial goods (factories from France, steel from Sweden). This, in turn, is forcing Western oil firms to drop their prices.
 - B. Soviet production in 1959 was almost 130,000,000 tons. Will reach 243,000,000 tons by 1965.
- IV. Moscow probably will continue for the next few years to emphasize sales in Western Europe to obtain needed industrial equipment and expand the beachhead they have established in this market.

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- A. Soviet-East European pipelines, now being constructed, will be completed by 1965.
- B. In underdeveloped countries Moscow will continue to supplement oil sales drive with offers of aid to local petroleum industries. Moscow now is:
 - 1. Conducting explorations in Pakistan, Afghanistan, UAR.
 - 2. Supplying drilling equipment to Argentina, India, UAR.
 - 3. Providing refineries for India, UAR, Ethiopia.
- C. The USSR also preparing to take advantage of opportunities like that offered in Cuba recently, where 300,000 tons--almost all internal needs--were supplied in August. Moscow continuing efforts to charter Western tankers for European runs, to free Soviet tankers for deliveries to underdeveloped countries.
 - 1. In addition to high-level of tanker production USSR also trying to buy tankers in the West. The Soviet Union has 113 tankers in service and 7 are now under construction. Only 2 are large tankers of more than 25,000 tone capacity.

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